

2018

ANNUAL REPORT AND ACCOUNTS

**MAHAPOLA HIGHER EDUCATION SCHOLARSHIP
TRUST FUND**

Vision

To create an educated society with the aim of alleviating poverty

Mission

To provide Scholarships for the underprivileged youth to complete their higher education and creation of equal opportunities through the development of facilities for higher education.

Objectives

- To provide higher educational facilities to youth;
- To provide assistance to deserving youth who have completed their secondary education satisfactorily, so as to enable them to complete their academic, industrial or technical education at a University or technical or higher educational institute,
- To set up and assist in the setting up and management of vocational training institutes for enabling youth to develop their vocational skills and competence;
- To set up and assist in the management and conduct of schools, institutes, foundations and similar institutions engaged in the furtherance of education;
- To provide assistance for the development and improvement of the skills and competence of lecturers, teachers, and such persons engaged in the furtherance of education. (Presently, grant of scholarships has been considered as the major task with priority).



Report of the Director of Mahapola Higher Education Trust Fund

I was appointed as the present Director of Mahapola Higher Education Trust Fund in 2015 and this is the first time a Mahapola Scholarship recipient was appointed as the Director of Mahapola Higher Education Trust Fund. I got admission to the University of Sri Jayawardenapura in the academic year 1984 -1985 and obtained Bachelor of Science degree in Business Administration (Special). Subsequently, I was under training in the field of Accounting for four years and commenced my professional life in 1996 as an Accountant of a private institute. It was a totally foreign invested institute and opened three factories in Sri Lanka. This company could achieve the pinnacle in the export field of Sri Lanka. I held various positions in the particular company and ultimately was able to become a Director. After that, I joined the University Grants Commission in 2012 and obtained a comprehensive knowledge on the University System and its functioning at the completion of five years of service. Therein, I was assigned the duties related to payment of Mahapola and bursary and I could obtain experience on Mahapola in particular. As a result of my experience, I was selected to act as the Director of Mahapola Higher Education Scholarship trust Fund by then Mahapola Trustee Board.

Mahapola Higher Education Scholarship Trust Fund has been bestowed to the students of the country who are obtaining higher education and I make this opportunity to pay my gratitude to its founder, Late Mr. Lalith Athulathmudali. This far sighted noble person understood that the contribution of the youth is a valuable input for Sri Lanka's economic growth and commenced Mahapola Higher Education Trust Fund utilizing his own donations in order to fund for the under privileged youth to obtain opportunities for higher education. This fund has already passed 39 years by 2018 and Mahapola Scholarship has been awarded more than 3 Lakhs of students spending more than Rs.15 Billion at present the fund has been strengthened with the assets of more than Rs. 10 Billion.

Sri Lanka Institute of Information Technology (SLIIT) was founded in 1999 under the Mahapola Higher Education Scholarship Trust Fund and at present it has become an apex body that gifts Information Technologists and Scientists required for Sri Lanka. Today, it possesses assets worth more than Rs. 10 Billion and statutes are being enacted to transform this institute to a government recognized university of Information Technology. Hence, in order to train human resource within the journey towards an education centered economic system in the 21st century

this university contributes in a wider context. This institute owns infrastructure required to get admissions around 10,000 students annually.

I am pleased to mention that Mahapola Higher Education Scholarship Trust Fund has rendered a yeoman service during the past decade to improve infrastructure in order to enhance the school system of the island and to develop remote rural schools with the objective of achieving its goals and objectives aiming to uplift primary and secondary education. Accordingly, Mahapola Higher Education Scholarship Trust Fund has granted provisions to construct number of school auditoriums, pavilions, swimming pools and school buildings. Development of school system under this objective was much supportive for the under privileged rural students to obtain opportunities for higher education.

The number of university admissions was increased at a stretch during the last decade and measures were taken by the Mahapola Higher Education Scholarship Trust Fund to increase the number of scholarships on par with it. Hence, among the students who got university admissions from 2015 to 2018 more than 50% students could obtain Mahapola Scholarships. I am much pleased to state that Mahapola Higher Education Scholarship Trust Fund was able to get provided necessary funds and provisions.

Herein, several special policy decisions on the increase of scholarships were implemented in 2018 and the annual income of a family to be eligible for a scholarship was increased from Rs. 300,000/- to Rs. 500,000/-. Accordingly, children of some public officers and personal of tri forces were eligible for scholarships. Through this policy, it was able to increase annual scholarships by 3,000. Mahapola Higher Education Scholarship Trust Fund had to spend an additional cost of Rs. 500 Mn. for this. However, 30,000 students got university admissions in 2018 and around it was able to grant scholarships for around 15,000 students. It is intended to increase Mahapola Scholarships up to 25,000 in the coming 5 years and the plans required to obtain necessary provisions have been included to the strategic plans of next 05 years of Mahapola Higher Education Scholarship Trust Fund.

Mahapola Higher Education Scholarship Trust Fund faced a huge down fall during the last decade due to various problems and weak management and the growth of the fund was collapsed in consequence of corruptions and malpractices. With my appointment in 2015, I could skillfully investigate all the corruptions and malpractices and take necessary measures under the approval of the Trust Board and thereby I was able to implement number of procedures to strengthen Mahapola Higher Education Scholarship Trust Fund.

The two subsidiary companies of Mahapola Higher Education Scholarship Trust Fund; NatWealth Corporation Ltd. and NatWealth Securities Ltd. were occurred with huge losses during the last 05 years and cabinet approval was received to restructure the affairs and management of these companies and the relevant actions are in progress.

These subsidiary companies were assigned with the role of managing the Major Fund; Mahapola Higher Education Scholarship Trust Fund was able to take over it in 2018. As a result, during the first half of 2019 the revenue growth of the fund was increased by 35%. Further, Sri Lanka Institute of Information Technology and Mahapola Higher Education Scholarship Trust Fund have signed two agreements on disposal of assets owned by the Fund which are unfavorable for Mahapola Higher Education Scholarship Trust Fund and in 2018 it was able to take measures to correct it whilst safeguarding the assets of the fund. Accordingly, the requests on the requests on rescinding the agreements take over the assets to Mahapola Higher Education Scholarship Trust Fund have been submitted to the Presidential Commission of Inquiry and

Commission to Investigate Bribery or Corruption and already made the ground to rescind the agreements.

Mahapola Higher Education Scholarship Trust Fund Act was passed at the Parliament in 1981, 39 years ago. However, in order to minimize the losses occur to the fund due to the offenses and malpractices of the officers and the trustees appointed to secure the financial movements and administrate the fund, Mahapola Higher Education Scholarship Trust Fund Act was amended in 2018 including the amendments that every employee and trustee of the Trust Fund subject to the provisions in connection with the offenses specified in the Public Property Act.

Thus, the assets of the Mahapola Higher Education Scholarship Trust Fund will remain secured in future and it will be supportive to pave broader access for the students of the country who will obtain higher education in future..

Due to inflation and as the students who are obtaining higher education have to spend a large amount of money to meet their daily needs and measures have been taken to pay their scholarships on time. Measures have been taken to fully restructure the previous system and approval of the General Treasury was also received for that. Under the previous system students were paid scholarship installments were paid monthly by each university and contribution of the Mahapola Higher Education Scholarship Trust Fund was referred to universities. This process took a very long time and payment of scholarships to the students was delayed 2 months or more than that. Hence, this payment scheme was completely changed and arrangements have been made by Mahapola Higher Education Scholarship Trust Fund to credit monthly scholarship installment directly to the students' accounts on 15th of every month and only the recommendation for payment is obtained from the University. Accordingly, Mahapola Higher Education Scholarship Trust Fund directly makes payments to around 60,000 students in all the universities and educational institutes from 2019 onwards. I am pleased to tell that this scheme is functioning smoothly and I am much grateful to those who granted approval for this.

Trustee Board Meetings and Audit Meetings of Mahapola Higher Education Scholarship Trust Fund were regularly held and from 2015 Trustee Board Meetings were held once in two months and 06 Trustee Board Meetings and 04 Audit and Management Meetings were held in 2018. The decisions made thereof could be successful implemented and it strengthened the administration of the institute.

In 2018, arrangements were made to computerize payment system and accounting system in order to make efficient the duties and functions of Mahapola Higher Education Scholarship Trust Fund and to make easy to meet the requirements of the Mahapola Scholarship recipients and it was able to complete around 90% of it. In addition, a computerized accounting system was introduced and it has been implemented from 2019.

A web site had been long term required by Mahapola Higher Education Scholarship Trust Fund and designing a new web site could be completed in 2018. I am pleased to mention that it will be able to launch before the end of 2019. Further, this website will be helpful for corporate governance and will meet the information requirement of the students and other desirable persons.

Strategic plan 2020-2025 of Mahapola Higher Education Scholarship Trust Fund has already been prepared and it has presented a comprehensive plan to broaden the higher education opportunities of the students who involved in higher studies and to double the available assets of the fund.

Ultimately, I make this an opportunity to pay my gratitude to all the trustees appointed 2015 to date, officers, tirelessly serving staff, all the officers of the Ministry of Higher Education and other institutes who contributed to strengthen Mahapola Higher Education Scholarship Trust Fund and to streamline its governance and functioning and the Chairman and the staff of the University Grants Commission and the Vice Chancellors and the staff of all the Universities who supported to restructure the payment scheme of Mahapola Higher Education Scholarship Trust Fund .

I wish Mahapola Higher Education Scholarship Trust Fund will be an apex body of financing to broaden and strengthen opportunities of the higher education sector of this country within the next 10 years of time.

M. Parakrama Bandara
Director
Mahapola Higher Education Scholarship Trust Fund

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Core Values

Integrity

We are selecting students for Mahapola Higher Education Scholarships following a prescribed methodology with transparency in a fair manner and frequently make efforts to pay Mahapola scholarships to the qualified students within a reasonable period of time

Positive Attitudes

Have to face number of challenges when granting scholarships and working with other institutions and obtaining funds and the employees are committed to successfully face all the challenges.

Effectiveness

Employees of Mahapola Higher Education Scholarship Trust Fund have got a better understanding and faith about their roles and they are frequently making efforts to achieve the set targets in an efficient manner. A small group of employees (10 employees) have achieved in paying around 70,000 scholarships monthly.

Flexibility

The Board of Trustees inclusive of the employees and the Director of the Fund are successfully moving in the competitive financial market looking for novel ideas in order to strengthen the fund.

Team Spirit

Employees of Mahapola Scholarship Fund are working together to achieve cooperate goals with their qualities of openness, friendliness and personal development.

Tendency towards uniqueness

Employees of Mahapola Scholarship Trust Fund are committed to maintain its service to the high standard consecutively.

A Glance at the History of Mahapola Higher Education Scholarship Trust Fund

Late Hon. Minister Lalith Athulathmudali, has initiated “Mahapola” Concept in 1980 when he was the Minister of Trade and Shipping as a trade fair with the objective of infiltrating the knowledge and benefits of the open economy to the rural communities and then Ministry of Trade and Shipping developed “Mahapola”. At the onset, the income earned selling entrance tickets, charging exhibition stall fees and selling Mahapola Higher Education Scholarship Lotteries and the donations were utilized to improve infrastructure of the schools where trade fairs were held and to award Mahapola Scholarships. People of rural areas did not experience the open trade policy which is the primary difference of the commercial economy as early as experienced by the people of urban areas. Hence, most of the privileges enjoyed by urban population in the light of new trade system were not available for the rural population. “Mahapola” is a brain child of Hon. Lalith Athulathmudali, and then Minister of Trade and Shipping introduced to lessen the gap between urban and rural areas and give knowledge and experience to rural people. Today, “Mahapola” is a valuable gift that general public have been awarded. It is a great assistance for the future generation of the country who has inherited skills to obtain higher education, but has faced economic problems.

The first scholarship awarding ceremony was started on 14th November 1981 at BMICH awarding 422 scholarships. From the beginning to 2018 more than 300,000 scholarships have been awarded and a sum of Rs. 15 Bn. has been spent on it. A sum of Rs. 1600 Mn. is annually required to pay scholarship installments.

Sri Lanka Institute of Information Technology (SLIIT) was founded in 199 in Kaduwela, Malabe to give opportunity for the Information Technology studies to the students who were unable to get University admission. Mahapola has granted a sum of Rs. 373 Mn. and a land in the extent of 25 Acres for this institute. This institute conducts Diploma and Degree Courses in Information Technology. Around 10,000 students get admissions to this institute annually.

NatWealth Corporation Ltd. and its Subsidiary company NatWealth Securities Company were established in 2003 to carry out financial investment affairs of Mahapola Higher Education Scholarship Trust Fund. The amount of Rs. 3.16 Bn granted at the beginning has been increased up to Rs. 8.5 Bn. in 2018.

Landmarks in the History of Mahapola

- A sum of Rs. 58.8 Mn was spent on awarding post graduate scholarships in foreign universities in 1985.
- A sum of Rs. 1 Mn. was spent on donations to Education consultancy Service and National English Education in 1986.
- To start Mahapola Project Division and Mahapola Student insurance scheme Sunday School (*Dhamma School*) teachers' insurance scheme spending Rs. 15.4 Mn. in 2003.
- A sum of Rs. 202 Mn. was spent out of the interest income of the school development fund established under Mahapola Higher Education Scholarship Trust Fund in 2004 for the development activities of 11 schools (to construct school buildings, swimming pools, play grounds and auditoriums) and the initial cost of Rs. 30 Mn was borne to establish Mahinda Rajapaksa National School.
- To distribute donations of Rs.1.5 Mn. among the families of the deceased Mahapola recipients at the Tsunami catastrophe in 2005.
- To increase Mahapola installment from Rs. 2,500/- to Rs. 5,000/- in 2015.
- The income limit to be eligible for Mahapola scholarship was increased from Rs. 300,000/= to Rs. 500,000/= in 2018. It has increased the number of Mahapola Scholarship recipients by 3000.

**The Ministry in charge of Mahapola Higher Education Scholarship Trust Fund
from 1981 to 2018 and the Ministers in charge of the subject**

	Ministry in charge of the subject	Minister in charge of the subject	Period (Year)
1	Ministry of Trade and Shipping	Hon. Lalith Athulathmudali	1981 - 1983
2	Ministry of Trade and Shipping	Hon. Lalith Athulathmudali (Minister of National Security)	1984 - 1988
3	Ministry of Trade and Shipping	Hon. Lalith Athulathmudali (Minister of Agriculture, Food and Cooperatives)	1989-1990
4	Ministry of Trade and Commerce	Hon. A.R. Mansoor – Trustee Hon. Minister Lalith Athulathmudali Minister of Agriculture, Food and Cooperatives)	1991 -1992
5	Ministry of Trade and Commerce	Hon. A.R. Mansoor – Trustee Hon. Minister Lalith Athulathmudali Minister of Agriculture, Food and Cooperatives)	1993
6	Ministry of Trade and Commerce	Hon. A.R.Mansoor	1994
7	Ministry of Internal and International Trade and Commerce	Hon. Kingsley T. Wickramaratne	1995 - 2000
8	Ministry of Internal and International Trade and Commerce, Shipping Development and Muslim Religious Affairs	Hon. Rauf Hakeem	2001
9	Ministry of Commerce and Consumer Affairs	Hon. Ravi Karunanayake	2002 - 2004
10	Ministry of Commerce and Consumer Affairs	Hon. Jeyaraj Fernandopulle	May 2004 - 2007
11	Ministry of Trade, Marketing Development, Cooperative and Consumer Services	Hon. Bandula Gunawardena	2008 - 2009
12	Ministry of Cooperative and Internal Trade	Hon. Johnston Fernando	2010 - 2012
13	Presidential Secretariat	Secretary to the President	2013 - 2014
14	Ministry of Food Security	Hon. Gamini Jayawickrama Perera	2015
15	Ministry of Development Strategies and International Trade	Hon. Malik Samarawickrama	November 2015 - 2018
16	Ministry of Higher Education and Cultural Affairs	Hon. Dr. Wijedasa Rajapakse	July 2018

Board of Trustees - 2018

Trustee / Trustees	Designation	From	To
1. Hon. Priyasad Dep PC	The Chief Justice	June 2017	Sep. 2018
2. Hon. Malik Samarawickrama	Minister of Development Strategies, Investment Promotion and International Trade	Oct. 2015	March 2018
3. Hon. Dr. Wijedasa Rajapakse PC	Minister of Higher Education & Cultural Affairs	April 2018	Sep. 2018
4. Mrs. Chandani Wijewardena	Secretary, Ministry of Development Strategies, Investment Promotion And International Trade	Oct.2015	March 2018
5. Mr. J.J. Rathnasiri	Secretary, Ministry of Higher Education and Cultural Affairs	April 2018	Sep. 2018
6. Mr. D.D. Dissanayake	Secretary, Ministry of Higher Education and Highways	April 2016	March 2018
7. Mr. S.S.Hettiarachchi	Secretary, Ministry of Education	Nov. 2017	Sep. 2018
8. Mr. S.V.D.Kesaralal Gunasekara	Appointed Trustee	July 2018	July 2019
9. Dr. Wickrama Weerasooriya	Appinted Trustee	Mar.2015	Mar. 2018
10. Mr. Anil Rajakaruna, Attorney-at-Law	Appointed Trustee	Mar. 2015	Mar. 2018
11. Dr. D.K.Mathiw	Appointed Trustee	May 2018	Sep. 2018

Operational Review

01. Award of Scholarships

Among the people who apply for Mahapola Higher Education Scholarships, the annually awarded number of limited Mahapola merit Scholarships are awarded based on the results of G.C.E. A/L examination. Hence, Mahapola merit scholarships are awarded to the students who score high marks at the examination on merit basis while ordinary Mahapola Scholarships are awarded considering the family income giving priority to their rank. Among the total number of annual Mahapola Scholarships, 10% are merit scholarships while the remaining 90% is reserved for ordinary scholarships. Rs. 50/- more is paid for a Merit Scholarship, than an ordinary scholarship.

Mahapola Scholarship The Board of Trustees granted approval to award 14,986 scholarships for the students who obtained university admission for the academic year 2017/18 based on the results of G.C.E. (A/L). Among them, only 1498 are merit scholarships while the balance of 13,490 scholarships are awarded for the students of low income families based on their ranks. Compared with the total number of university admissions; 28,000, 53% has been covered under the award of Mahapola Scholarships. Accordingly, students who got admission for the courses prescribed by the University Grants Commission in 2018 were granted scholarships.

In addition to the number of scholarships recommended by the University Grants Commission, arrangements have been made to award 2051 scholarships for the students who are following degrees in the following Higher Education Institutes.

Operational Review...

Award of Mahapola Scholarships 2014 - 2018

University	2014	2015	2016	2017	2018
1. Colombo	1,387	1,246	1,182	1,521	1,761
2. Peradeniya	1,615	1,381	1,318	1,452	1,757
3. Kelaniya	1,371	1,590	1,551	1,820	1,985
4. Sri Jayawardenepura	1,810	1,859	1,894	2,029	2,288
5. Moratuwa	836	836	775	828	957
6. Jaffna	709	785	1,049	1,129	1,062
7. Jaffna (Ramanathan)	27	130	116	142	40
8. Ruhuna	667	1,015	907	1,009	1,098
9. Jaffna- Vavuniya Campus	48	104	124	109	90
10. Eastern	285	340	583	633	402
11. Gampaha Wickramarachchi Ayurveda Institute	34	31	8	7	16
12. Institute of Indigenous Medicine	79	68	66	73	93
13. Colombo Computer School	90	69	83	94	131
14. Colombo- Si Pali	32	92	69	99	63
15. Performing Arts	187	348	330	330	242
16. South Eastern	500	801	908	905	651
17. Rajarata	561	609	673	814	779
18. Sabaragamuwa	339	546	535	556	540
19. North Western	360	358	509	574	683
20. Eastern – Trincomalee Campus	72	109	127	118	135
21. Uva Wellassa	101	167	229	251	175
22. Swami Wipulananda	37	191	140	161	38
Total No. of scholarships	11,147	12,675	13,176	14,654	14,986

Operational Review ...

Mahapola Scholarship Awards (Other Institutes)

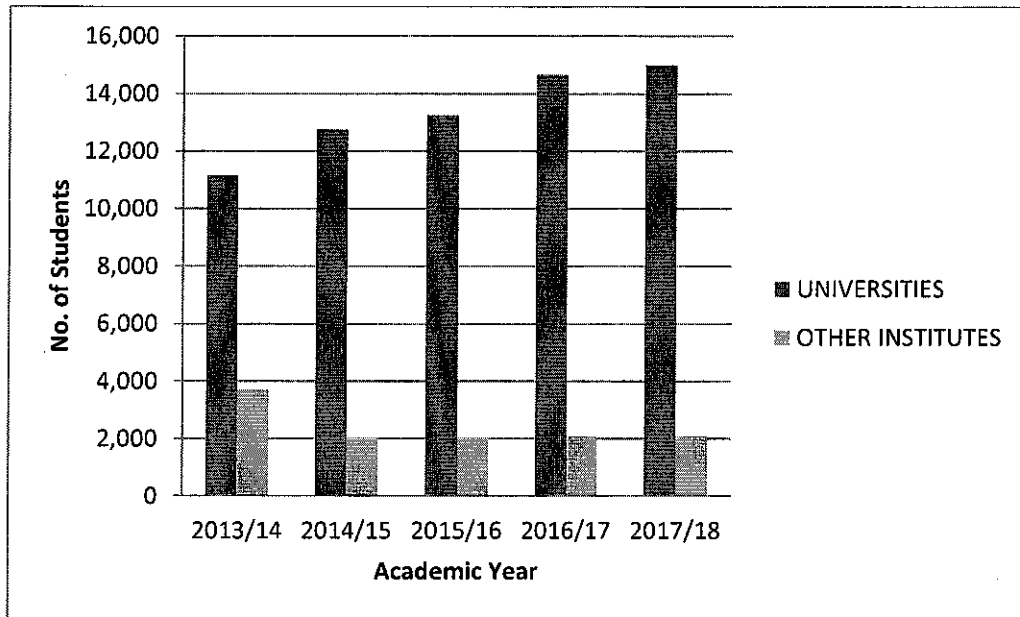
	Institute	No. of students
1.	Sri Lanka Law College	25
2.	National Institute of Technology - Moratuwa	70
3.	Buddha and Pali University	26
4.	Buddasravaka Biksu University	20
5.	National Social Development Institute (10 Degrees 14 Diplomas)	10
6.	Sri Lanka Institute of Advanced Technological Education (SLIATE) (There are 15 regional centres)	1500
7.	40 scholarships were allocated for the Open University of Sri Lanka	400
		2051

Comparison of Total Number of University Admissions and Mahapola Recipients

Year	2014	2015	2016	2017	2018
Total number of university admissions	22,687	25,523	28,939	30,000	31,158
Number of students who qualified as per the limit of income	13,500	14,000	15,000	15,000	20,000
Number of Mahapola Scholarship recipients	12,675	13,176	14,654	14,500	14,984
Students qualified for scholarships as per the limit of income as a percentage of the total number of students	59%	54%	52%	50%	64%
Mahapola recipients as a percentage of total number of students	56%	52%	51%	48%	48%
Number of Mahapola recipients among the number of students qualified based on the limit of income	94%	94%	97%	96%	75%

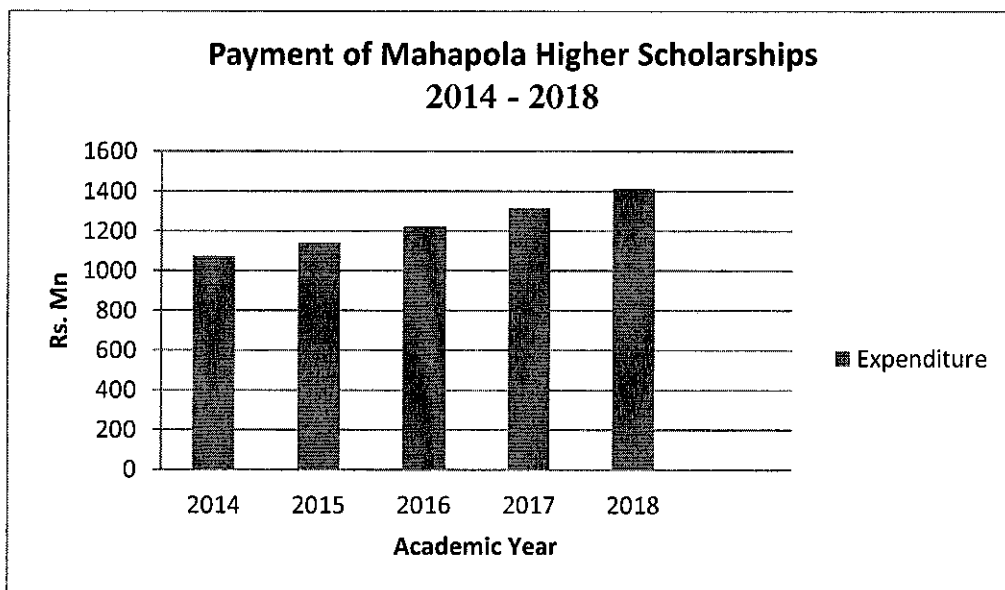
Operational Review ...

Award of Mahapola Scholarships 2014 - 2018



02. Payment of Scholarships

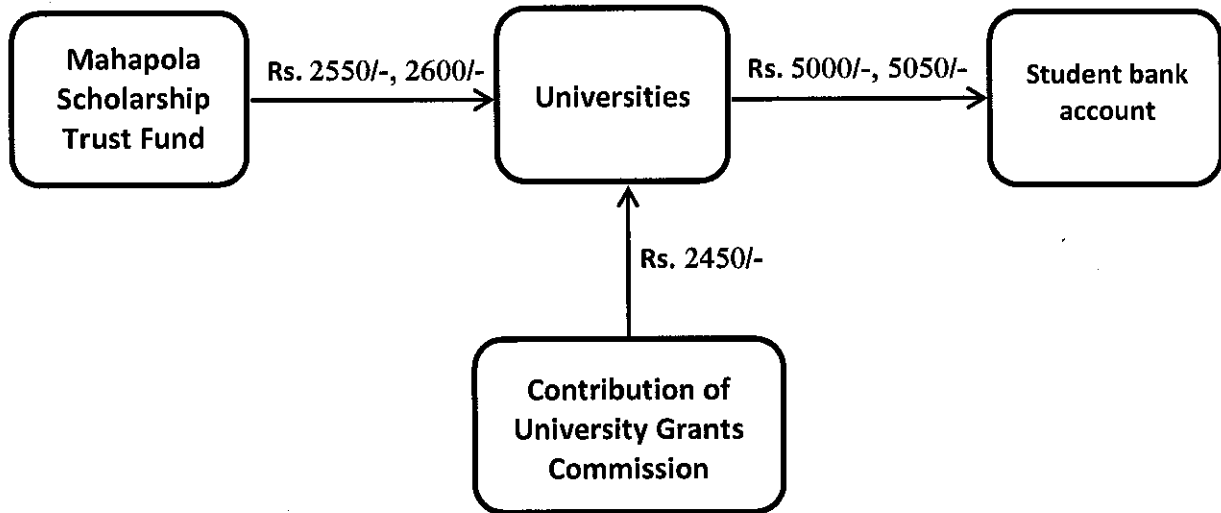
A Mahapola recipient is paid 10 scholarship installments annually as an installment per month. Accordingly, including the sum of Rs. 2,450/- monthly provided by the General Treasury, every Mahapola Scholarship Recipient is paid Rs. 5,050/- for merit scholarships and Rs. 5,000/- for ordinary scholarships.



Operational Review ...

Introducing direct payment system to make efficient the payment of scholarships

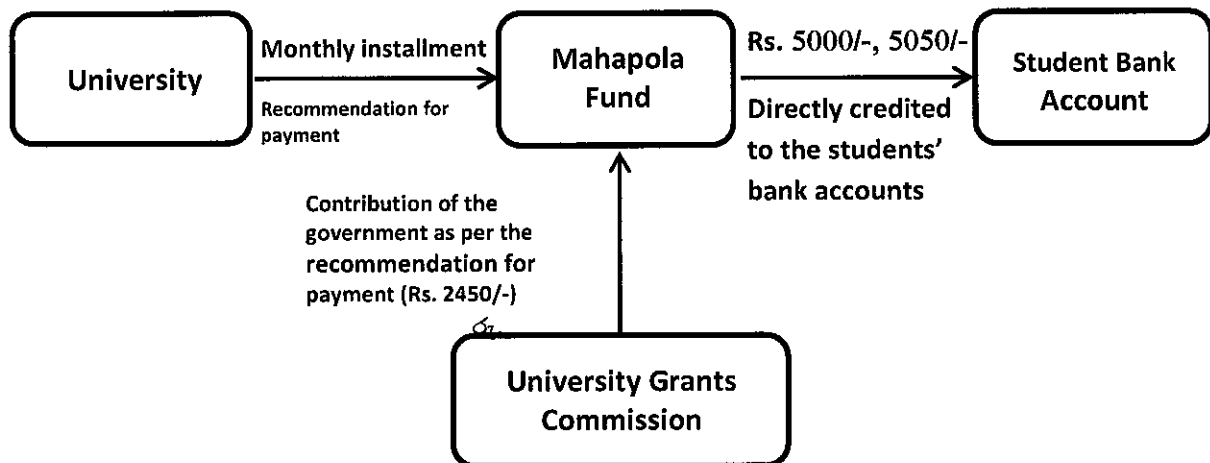
Old Payment System



Students' payments were made using signature sheets by the universities. It occurred a long delay and students got their scholarship installments after a delay of 03 to 04 months.

A payment scheme was proposed to directly credit scholarship installments to avoid this delay and implemented from 2019 with the concurrence of the General Treasury.

New Payment System



Accordingly, scholarship installments are paid at present under a direct bank payment scheme for 70,000 students of altogether 22 universities and institutes. Universities are not directly involved in making payments and the Mahapola Fund credits the monthly installments Rs. 5,000/- and Rs. 5,050/- to students' accounts. This is successfully continued and students get their scholarship installments on time without any delay.

Operational Review ...

Qualification Criteria for Mahapola Scholarships

Qualification Criteria for Mahapola Scholarship Awards

Lalith Athulathmudali Scholarship Trust Fund awards scholarships under two categories as merit scholarships and ordinary scholarships.

1. Merit Scholarships

Only a limited number of Mahapola scholarships are awarded under the Merit Category based on the performance of the students at G.C.E. A/L examination. Students who pass the examination with colours are awarded scholarships under this category. 10% from the scholarships are granted under the Merit Scholarship Scheme.

2. Ordinary Scholarships

Mahapola Ordinary Scholarships are awarded giving priority to the district rank the student achieves and considering the family's income. Among the total number of scholarships 90% is allocated for general scholarships.

Qualification Criteria for Mahapola Scholarship

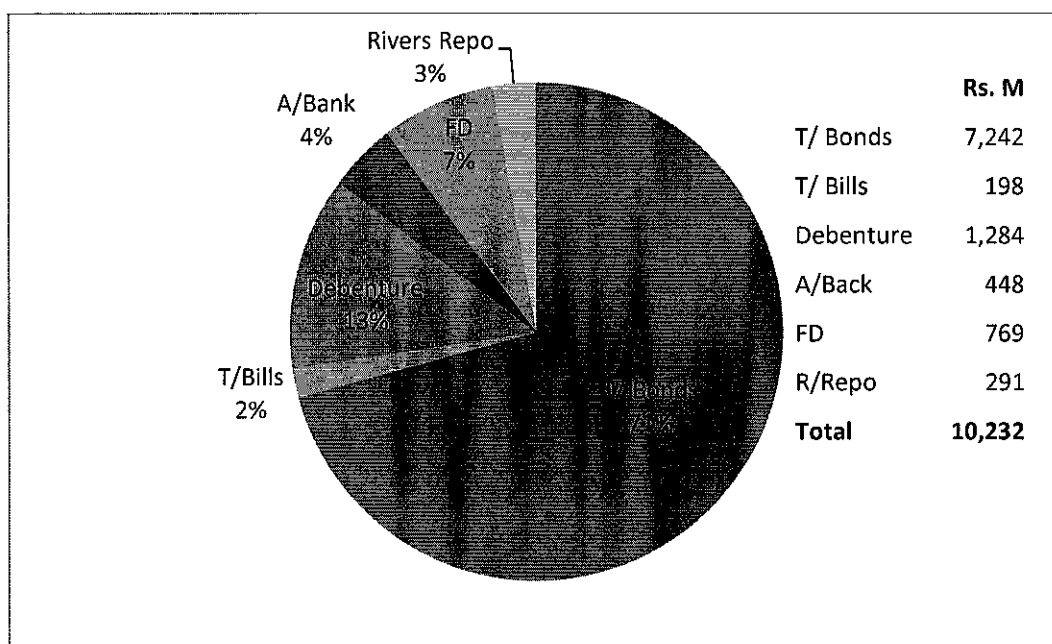
- I. Mahapola Recipient shall be a Sri Lankan.
- II. He / she should be registered as an internal student for a full time course at a university or an affiliated institute of a university.
- III. Parents' Income
 - a) Parents' income shall be equal to less than Rs. 500,000/- effective from 2017/18.
 - b) The above income limit is applicable for the students who have been registered for the academic year 2017/18. However, in case the students who don't get any financial aid as at the effective date of this circular fall into the revised limit of the parents' income, they are qualified to apply for Mahapola Scholarship.
- IV. When selecting students for Mahapola Scholarship, under the circumstance that parents have been legally separated and there is no documentary evidence or not taken any legal action such cases are taken into consideration to decide the income limit after the receipt of Grama Niladhari reports and relevant police reports.
- V. If the student has been employed, his / her income shall be added to the parents' income.

In case the student is employed and married, the student and the spouse shall be considered as a separate family and in terms of the above rule (III), his / qualifications are under estimated.

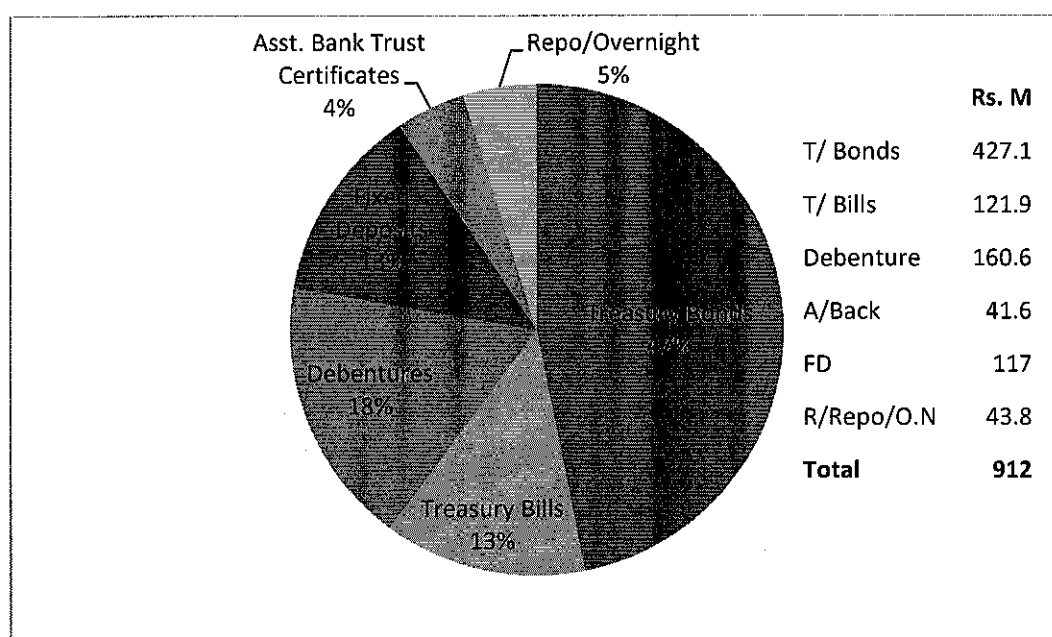
Operational Review

Status of the Mahapola Higher Education Scholarship Trust Fund as at 31.12.2018

Portfolio



Investment Income - 2018



Operational Review ...

Other Investments of Mahapola Trust Fund

Development Lotteries Board

Rs. 2.2 Mn of Mahapola Trust Fund has been invested in Development Lotteries Board and the chairman and one of his representatives is a member of its board.

Development Lotteries Board directly transfers its income to the President's Fund and subsequently, the dividend is transferred to Mahapola Higher Education Trust Fund by the President's Fund.

Dividend of Development Lotteries Board 2014-2018 in the profit transaction to the Mahapola Higher Education Scholarship Trust Fund through the President's Fund

Year	2014	2015	2016	2017	2018
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Net profit of Development Lotteries Board	2016	1678	1836	507	2187
Profit Share transferred to Mahapola Trust Fund	898	736	767	25*	804

* National Lotteries Board has paid Rs. 1.7 Bn in 2017 as due tax. Hence net profit of Development Lotteries Board decreased by the said tax amount and only a sum of Rs. 25 Mn. could be transferred to Mahapola Trust Fund.

NatWealth Corporation Ltd. (NWCL)

Mahapola Trust Fund has invested Rs. 200 Mn in its solely owned company NatWealth Corporation Ltd. and incorporated it as a limited company on 23rd March 2003. NatWealth Corporation Ltd. acts as an investment manager and the portfolio of Mahapola Trust Fund is managed with the objective of obtaining benefits to the maximum with low risk. As per a Cabinet Approval, the financial fund which was handled by NatWealth Corporation Ltd. was transferred to the Mahapola main account in the corporate division of the Bank of Ceylon and the Fund Management Agreement which was with NatWealth Corporation Ltd. was cancelled effective from 28th February 2019.

Operational Review...

National Wealth Securities Ltd. (NWSL)

National Wealth Securities Ltd. was incorporated on 23th June 2003 as a Limited Company. This company has been registered under Securities and Exchange Commission and Local Treasury Bills Ordinance and as a primary buyer as per the directives of Central Bank of Sri Lanka.

NatWealth Corporation has founded Nat Wealth Securities Ltd. in 2004 investing its own funds and the total investment for the company's share capital is Rs. 300 Mn and it was increased up to 1 Bn by the end of 2018.

Operating Results of NatWealth Corporation Ltd. and Nat Wealth Securities Ltd. from 2013 to 2018

Year	Profit / Loss		Total (Rs. Mn.)
	NatWealth Corporation Rs. (Mn.)	National Welth Securities (Rs.(Mn.))	
2013	(1.4)	127.5	126.1
2014	60.9	516.6	577.5
2015	112.2	(200.2)	(88.0)
2016	(65.8)	(499.2)	(564.9)
2017	5.7	163.4	169.0
2018	8.9	(242.5)	(233.5)
Net Result	120.5	(134.4)	(13.8)

Approval was received for the Cabinet Memorandum submitted by Hon. Wijedasa Rajapakse, then Minister of Higher Education and Cultural Affairs on 23th August 2018 to rescind the investment management agreement with the NWCL Ltd., to transfer the management fund to Mahapola Account in the Bank of Ceylon and to select an appropriate buyer and sell the shares of NWSL Company. Accordingly, procurement has been started to sell the shares of NWSL.

Operational Review...

Sri Lanka Institute of Information Technology (SLIIT)

Trustees of the Mahapola Trustee Board has granted permission to start a college named SLIIT in the land in Malabe, Colombo District in the extent of 25 Acres. Master Degrees, Diplomas and courses in Information are conducted by SLIIT. At the beginning the following courses were proposed.

- Bachelor of Science Degree in Information Technology
- Post Graduate Diploma in Information Technology
- Bachelor Degree in Information Technology –with transfer option
- Diploma courses in Information Technology
- Diploma courses in Information Technology Marketing
- Short term certificate courses

Accordingly, trustees of Mahapola The Board of Trustees decided to invest Rs. 500 Mn. in 1999 to provide infrastructure and construct Buildings for the SLIIT. The Institute of Information Technology has been established a Parliamentary Act and Sri Lanka Institute of Information Technology was established as a guarantee limited. Subsequently, Sri Lanka Institute of Information Technology was established under the Act No. 17 of 1982.

Commencement of Studies

The Information Institute of SLIIT was established in January 2000 with the participation of 400 students at BOC Merchant Tower Building.

More than 7000 local and international students have successfully completed degrees and post graduate degrees in the SLIIT. Further, more than 9000 Business, Computer and Engineering degrees have been offered.

Further, SLIIT is directing its students to leading Multi-National Companies and Sri Lankan Institutes for their internships. It paves the way for them to improve professional Individual specialties and to practical use of their knowledge.

SLIIT signed a lease agreement and an asset transfer agreement with Mahapola Fund in 2015, SLIIT is paying a rental of Rs. 20 Million annually to the Mahapola. It has been noted that proper approval of Mahapola Trust Fund has not been received in this regard and investigations were in process at the Commission to Investigate Allegations of Bribery or Corruption and Special Presidential Commission of inquiry and the investigations were completed by December 2018.

Operational Review ...

Management Accounts of the first 6 months in 2019 Comprehensive Income Statement for the Year ended as at 30th June 2019

Income	Notes	30.06.2019 Rs.	30.06.2018 Rs.	Growth
Interest Income – Treasury Bonds	1	358,345,357	296,552,771	21%
Interest Income – Treasury Bills	2	18,134,052	7,157,882	
Interest Income – Asset backed security	3	17,248,300	20,800,755	
Interest Income – Fixed Deposits	4	119,987,950	32,348,746	
Interest Income - Debentures	5	78,179,374	80,336,568	
Interest Income – Commercial papers		-	15,855,705	
Interest Income – short term deposits / Reversal of short term deposits	6	27,714,313	18,944,020	
Fulfillment of capital profits		1,973,079		
Total Investment Income		621,582,425	471,996,447	32%
Direct Expenses				
Management Finance - NWCL		-	(14,805,079)	
Trustee Fees – Bank of Ceylon (NWCL)		-	(1,056,122)	
Trustee Fees - Bank of Ceylon (MTF)		(932,000)	-	
Financial Expenses – Treasury bond premium		(970,768)	(3,732,110)	
BOC loan interest expenditure		(35,331,626)	-	
Net investment income		584,348,031	452,403,136	29%
Other Income				
DLB Dividend		500,782,697	293,735,280	
SLIIT Rental		10,000,000	10,000,000	
Other Income		50,425	1,876,730	
Total other income		510,833,122	305,612,010	
Total Income		1,095,181,153	758,015,146	
Expenditure				
Scholarship Payments		(344,445,136)	(662,783,395)	
Salaries		(7,174,260)	(6,352,755)	
Other administrative expenses		(8,186,462)	(6,941,196)	
Depreciation		(28,829,022)	(28,019,523)	
Total expenditure		(388,634,880)	(704,096,869)	
Net income exceeding expenses		706,546,273	53,918,277	
Net profit / loss before taxation		706,546,273	53,918,277	
Income Tax Provisions		(98,916,478)	-	
		607,629,795	53,918,277	
After – tax income		607,629,795	53,918,277	

Corporate Governance

Board of Trustees

The top level authority of Mahapola Higher Education Scholarship Trust Fund is the Board of Trustees and it is responsible for carrying out operations as appropriate and managing funds. The Chief Justice of the Supreme Court acts as its Chairman and the Minister in charge handles the affairs of the The Board of Trustees representing the Founder Trustee. The Board of Trustees consists of ex- officio trustees and the trustees appointed by the Minister in – charge and its composition is under mentioned.

1. Hon. Chief Justice of the Supreme Court is the ex-officio Chairman of the fund.
2. Minister in-charge of the subject of Higher Education acts as a trustee representing the founder trustee.
3. Secretary, Ministry of Higher Education is an ex-officio trustee.
4. Secretary, Ministry of Education is an ex-officio trustee.
5. Secretary, Ministry of Trade is an ex-officio trustee.
6. Two members appointed by the Minister in-charge represent the Board of Trustees.
7. A supervisor appointed by HE the President.

Chairman / Board of Trustees

1. The Board of Trustees including the Chairman is responsible for ensuring good governance within organizational administration.
2. Should chair the Board of Trustees meetings and ensure that a proper method is followed.
3. All the trustees should be equally considered and they should be encouraged to give fullest contribution in the expertise areas and play effective roles.
4. The chairman should certify that taking final decisions in respect of the Board of Trustees is vested with the Board of Trustees
5. To certify clear devolution of responsibilities and to assist for balancing power and authority are responsibilities of the Chairman.

Corporate Governance...

Role of the Board of Trustees

Mahapola Board of Trustees is vested with the duties of leading the institution progressively towards the identified destination in order to achieve the objectives and goals of Mahapola Higher Education Scholarship Trust Fund and to ensure the successful management of its operations. The Board of Trustees is responsible to utilize resources with transparency, to maintain accounts accurately and to maintain precise reports to meet all the statutory monitoring needs. The The Board of Trustees is responsible to ensure the following tasks.

1. To ensure targets have been set on the strategies of the institute.
2. To guide and lead to achieve strategic goals.
3. To ensure that the chief officer and the staff possesses all required skills and knowledge.
4. To ensure an efficient administrative and a risk management system.
5. To ensure successful supervision of the management activities of the institute.
6. To ensure sufficient reporting and needful disclosure on financial transactions as stakeholders.
7. To ensure assumption of resources and assets as liabilities.
8. To appoint and supervise Investment Committee and Audit Committee by the Board of Trustees.
9. To introduce policies and a code of conduct and organizational administrative strategy.
10. To discharge all the duties comply with the relevant statutory provisions, guidelines and circulars is a responsibility of the Board of Trustees.

Corporate Governance...

Meetings of the Board of Trustees

At the The Board of Trustees Meetings, the Board of Trustees engages in close observation and supervision of organizational operations and results as per the approved budget and relevant standards. The Board of Trustees pays attention on a standard agenda and the other matters discussed in the meetings. All the minutes of the meetings of the Board of Trustees are approved and certified by the chairman. The Board of Trustees meets once in two months and Special Meetings of the Board of Trustees are called as and when required. The meetings of the Board of Trustees held in the year ended as at 31st December 2018 and the information of participation of the trustees are given below.

	Trustee/Trustees	Designation	No. of Meetings				
			1	2	3	4	5
1	Hon.Priyasad Dep PC	The Chief Justice	√	√	√	√	√
2	Hon. Malik Samarawickckrama	Minister of Development Strategies, Investment Promotion & International Trade	√	---	---	---	---
3	Hon. Dr. Wijedasa Rajapakse PC	Minister of Higher Education & Cultural Affairs	---	√	√	√	√
4	Mrs. Chandani Wijewardhane	Secretary, Ministry of Development Strategies, Investment Promotion & International Trade	√	---	---	---	---
5	Mr. J.J.Rathnasiri	Secretary, Minister of Higher Education & Cultural Affairs	---	√	√	√	√
6	Mr. D.D.Dissanayaka	Secretary Ministry of Higher Education & High Ways	√	---	---	---	---
7	Mr. S.S.Hettiarachchi	Secretary, Min. of Higher Educ.	√	√	---	---	---
8	Mr. S.V.D.Kesaralal Gunasekara	Appointed Trustee		√	√	√	√
9	Dr. Wickrama Weerasooriya	Appointed Trustee	√	---	---	---	---
10	Dr. D.K.D.Mathiw	Appointed Trustee		√	√	√	√
11	Mr. Anil Rajakaruna	Appointed Trustee	√	---	---	---	---

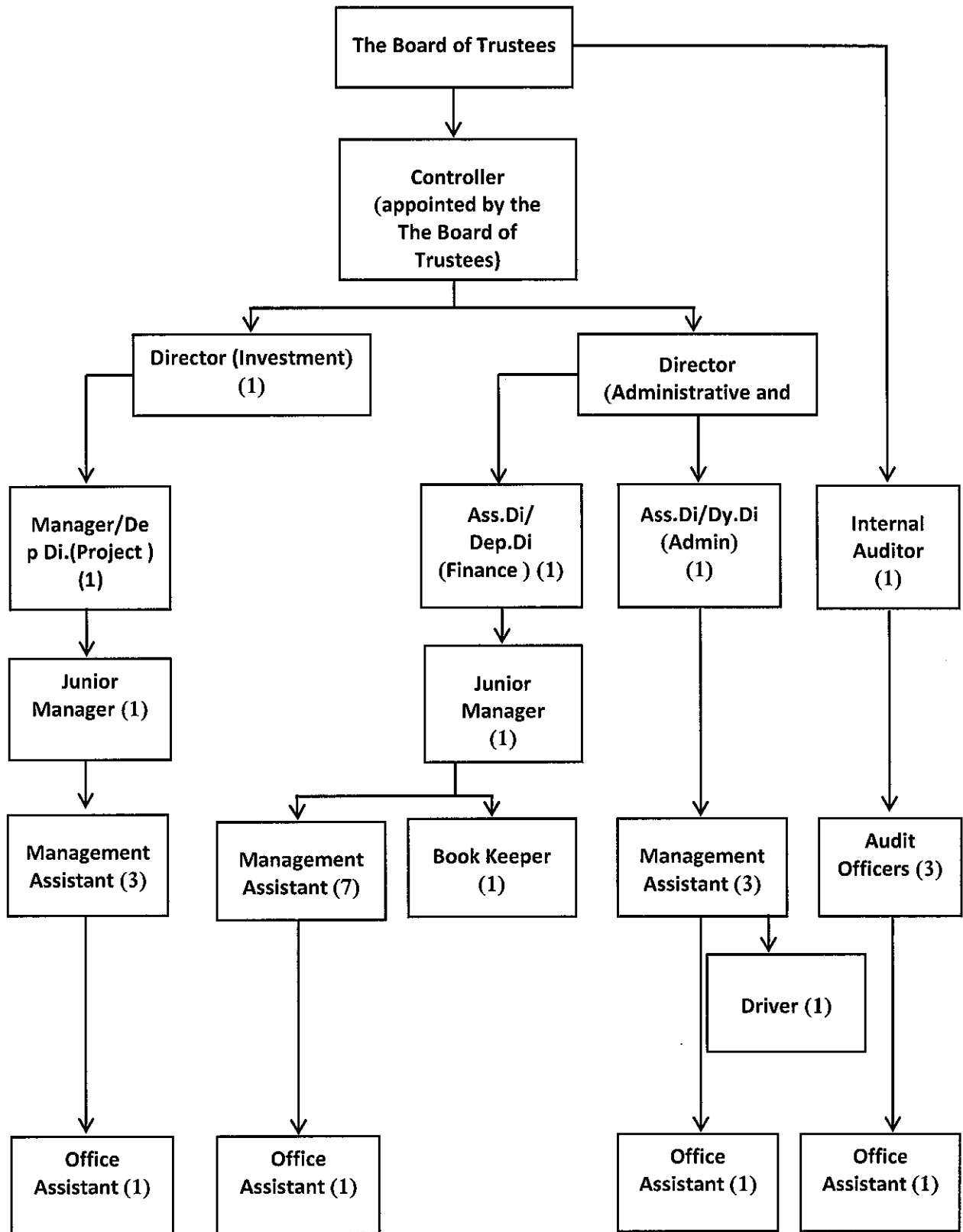
√ - No. Of Meetings Participated

---- - Withdrawn from the Board of the Trustees

Committees of the Board of Trustees

1. Audit and Management Committee
2. Investment Committee
3. Tender Board Committee
4. Employee Welfare Board Committee

Organizational Structure



The Staff

Staff Category	Approved Cadre	Existing Cadre	Vacancies
Senior	1	1	
Secondary	6	2	4
Tertiary	19	8	11
Prominent	5	2	3
Total	31	13	18

Mahapola Higher Education Scholarship Trust Fund bears a limited cost on its staff and from the onset it has been running with a limited staff. Administrative expenditure on the staff could be maintained at a very low level as 0.26% of the income and 0.40% of the expenditure.

The Board of Trustees has decided to fill vacancies in the staff by internal promotions and the remaining vacancies by the external applicants.

AUDITOR GENERAL'S REPORT

Letter No. TCM2/F/MTF/6/18/14 dated 31 October 2019 from the Auditor General addressed to the Chairman of the Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Chairman

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Report of the Auditor General on the Financial Statements and other Legal and Regulatory Requirements of the Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, the statement of changes in equity for the year then ended and the statement of cash flows for the year then ended and notes to the financial statements, a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions in the National Audit Act, No. 19 of 2018. My Report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the section of basis for the qualified opinion, the statement of financial position as at 31 December 2018 and its financial performance and cash flows for the year then ended give true and fair view of the financial position in accordance with Sri Lanka Accounting Standards.

1.2 Basis for the Qualified Opinion

The following observations are made.

(a) Deviation from the Accounting Standards

In terms of paragraph 4.1.1 of the Sri Lanka Accounting Standard (SLFRS 09), the financial assets should be classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss etc. to present in the financial statements, nonetheless the financial assets amounting to Rs. 10,232,401,250 had not been presented so.

(b) Deficiencies in Accounting

The following observations are made.

- (i) The Consolidated Financial Statements of the Fund and its 02 subsidiaries, namely National Wealth Corporation and NatWealth Securities Limited, to which the Trust Fund has the full ownership, had not been prepared from 2013 onwards to the year under review and had not been submitted to audit.
- (ii) An agreement on lease basis had been reached with the Sri Lanka Institute of Information Technology (SLIIT) in respect of a land to an extent of 25 acres owned by the Trust Fund located at Malabe, which was valued at Rs. 12,460,179 in 2005 and it had not been revalued for present value and taken into financial statements even by the year under review.
- (iii) In terms of the depreciation policy specified in the financial statements of the fund, the land, property and equipment should be depreciated from the date of acquisition, but the property and equipment which had been bought in 2018, had been depreciated for the entire year without considering the date of acquisition of the said items and thereby an overvalue of Rs. 181,457 had been recorded in the accounts.
- (iv) Even though the medical and accidental insurance cost relevant to the year under review was Rs. 87,500, it was presented in financial statements as Rs. 448,072 inclusive of the advance payment of Rs. 360,752.

- (v) Pursuant to the section 11 (I) (b) of the Development Lotteries Board Act, the proceeds of lotteries as proportionate to the percentage of investment made by the Trust Fund towards establishment of the Development Lotteries Board should be remitted. Of the total proceeds, the amount owned by the Trust Fund was Rs. 1,093,798,978, but it was mentioned in the financial statements as Rs. 904,600,387 thus understating an amount equivalent to Rs. 189,198,591.
- (vi) Action had not been taken to bring into books an amount equivalent to Rs. 835,766,892 which had not been remitted by the President's Fund to be receivable by the Trust Fund as the proceeds due from Development Lotteries Board.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities on financial statements under the said Auditing Standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statement* section of this report. I believe that the audit evidence I have obtained was sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, it is the responsibility of the management to assess the Fund's ability to continue as a going concern and it is also the responsibility of the management to prepare the accounts on the going concern basis and to disclose the matters related to going concern, unless it either intends to liquidate the fund or to cease the operational activities when there is no other alternative.

Those charged with governance are responsible for overseeing the financial reporting process of the fund.

In terms of Sub Section 16(1) of the National Audit Act, No. 19 of 2018, the Fund shall require to maintain proper books and records of all its income, expenditure, assets and liabilities to enable preparation of annual and periodic financial statements of the Fund.

1.4 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the auditor's report that includes my opinion. Although reasonable assurance is a high level of assurance, but it is not a guarantee to the effect that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect material misstatement when they exists. Misstatements can be arisen to a quantitative extent due to the effects of fraud and error on individual or aggregate basis, and it is expected to influence on the economic decisions taken by the users on the basis of these financial statements.

I undertook the audit in terms of Sri Lanka Auditing Standards with professional judgment and professional scepticism. I also:

- Identify and assess the risks of material misstatements of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions or the override of internal control.
- Obtain an understanding of internal control relevant to the fund in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the reasonableness of the accounting policies and accounting estimates adopted and appropriateness of the related disclosures made by the management.
- Conclude on the appropriateness of the use of going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have communicated with those charged with governance regarding the significant audit findings, major internal control deficiencies and other matters that have been identified during my audit.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 includes specific provisions in respect of the following requirements.

Except for the effects from the matters described under the basis for the qualified opinion in my report, I have obtained all the information and explanations for the purpose of audit and as per revelations from my examination, proper financial records have been maintained by the Fund as per the requirement of Section 12(a) of the National Audit Act, No. 19 of 2018.

The financial statements presented are consistent with that of the preceding year as per the requirement of Section 6(1) (d) (III) of the National Audit Act, No. 19 of 2018.

Any observation made by me on the financial statements in the preceding year had been included in financial statements presented in the year under review except for the observations (i) to (v) under paragraph 1.2 (b) of this report as per the requirement of Section 6(1) (d) (IV) of the National Audit Act, No. 19 of 2018,

Based on the procedures which had been adopted and the evidence obtained which limited to matters that are material, nothing has come into my consideration to express following statements.

- As per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018, whether any member of the governing body of the Trust Fund has any direct or indirect interest in any contract entered into by the Trust Fund beyond the normal course of business.
- Except for the below mentioned observation, whether Trust Fund has not complied with any applicable written law or other general or special directions issued by the governing body of the Trust Fund as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018.

Reference to law/ direction

Description

Paragraph 6.5.1 of the Public Enterprises Circular No. PED12 dated 02 June 2003

Even though draft annual report and financial statements should be submitted to the Auditor General within 60 days after the closure of the financial year, the financial statements of 2018 was submitted to the Auditor General on 31 July 2019.

- As per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018, whether the Trust Fund has not performed according to its powers, functions and duties.
- As per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018, whether the resources of the Trust Fund had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

3. Other Audit Observations

- (a) A sum of Rs. 3,832,875 as payable to construction works carried out in several schools from the School Development Fund was presented in the financial statements from 2013. However, since no one has presented claims in this respect, it had not been able to identify it as a definite payable amount.
- (b) In terms of guideline 4.2 of the Government Procurement Guidelines, each procurement entity should prepare a procurement plan inclusive of proposed procurement activities for at least upcoming 03 years to be listed in the main procurement plan, a procurement plan had not been prepared by the Trust Fund.
- (c) Pursuant to the paragraph 5.1 of the Public Enterprises Circular No. PED 12 dated 02 June 2003, it was required to formulate a corporate plan, neither a corporate plan nor an action plan had been prepared during the year under review.
- (d) **Review of Activities**
 - (i) The Fund had not taken into consideration to fulfill the aims and objects specified under section 6.1 in the Trust Fund Act such as setting up and management of schools, institutes, foundations and such institutions engaged in providing education, setting up and management or assistance to set up and management of vocational training institutes enabling vocational skills and competencies, provide assistance for the development and improvement of skills and competencies of lecturers, teachers and such persons engaged in educational activities during the year under review.
 - (ii) In terms of the agreements entered on 14th November 2005 and 12th May 2015 with the Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT) and in pursuant to the approval of the Cabinet of Ministers for the Cabinet Memorandum presented by the H.E. the President, the ownership that the Trust Fund had on SLIIT had been revoked. Two investigations into the illegitimacy of the agreement entered in 2015 were investigating at the Commission to Investigate Allegations of Bribery or Corruptions and the Special Presidential Commission of Inquiry. Even though the Committee on Public Enterprises (COPE) at its meeting held on 12 July 2019 had instructed the Secretary to the Ministry of Higher Education and the Chairman of the Trust Fund to submit a report within one month

in respect of how to act on SLIIT, the said report had not been submitted even by the date of this report.

- (iii) In pursuant to the decision of the Cabinet of Ministers dated 05 September 2018 on CP No. 18/1873/824/020, the Investment Management Agreement entered into with the National Wealth Corporation Ltd by the Trust Fund had been revoked. Accordingly, the investment portfolio managed by the National Wealth Corporation was transferred to the main account of the Mahapola Trust Fund at Corporate Division of the Bank of Ceylon on 28 February 2019. Further, the liquidation of the National Wealth Corporation and selling of the Natwealth Securities Limited should be undertaken, it had not been done so far.
- (iv) Despite not implementing the activities in (III) above, Mahapola Trust Fund has obtained a loan of Rs. 1.11 billion under a loan facility of Rs.4 billion from the Bank of Ceylon. The treasury bonds and bills of Natwealth Securities Limited were purchased on 26 March 2019 by the Trust Fund from the said loan amount and subsequently sold on 27 March 2019 at Rs. 1.113 and it was deposited in fixed deposits. Thereafter, the loan was settled on 27 June 2019.
- (v) In terms of Section 6.2 (a) (b) (d) of the Act, the Trust Fund has entrusted with the mandate to expect grants, gifts or donations in cash or kind whether from local or foreign sources and to conduct lottery draws subject to the approval of the government for the purpose of collecting money. However, without taking any action to collect money by the said sources, total contribution for the Mahapola Higher Education Scholarship intended for university students was borne initially by the Mahapola Trust Fund, but subsequently steps have been taken to provide 49% contribution by the government.

Sgd. W.P.C.Wickramarathne
Auditor General


FINANCIAL STATEMENTS


31 DECEMBER 2018

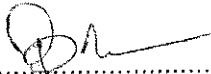
LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 Rs.	2017 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	12	913,888,938	967,925,338
Investment Property	13	12,460,179	12,460,179
Investment in Subsidiary	14	985,000,000	985,000,000
Other Investment	15	2,200,000	2,200,000
Financial Assets	16	10,232,401,250	9,861,439,390
		<u>12,145,950,367</u>	<u>11,829,024,907</u>
Current Assets			
Other Assets	17	2,287,729	1,995,810
Advances and Prepayments	18	1,579,729	1,797,859
Receivables	19	155,363,740	57,450,549
Cash and Cash Equivalents	20	140,608,323	7,150,101
		<u>299,839,521</u>	<u>68,394,319</u>
TOTAL ASSETS		<u>12,445,789,888</u>	<u>11,897,419,226</u>
EQUITY AND LIABILITIES			
EQUITY			
Accumulated Fund		10,147,376,951	10,147,376,951
Net Surplus		2,148,934,763	1,697,374,151
Total Equity		<u>12,296,311,714</u>	<u>11,844,751,102</u>
Non Current Liabilities			
Retirement Benefit Obligation	21	3,172,760	2,173,542
		<u>3,172,760</u>	<u>2,173,542</u>
Current Liabilities			
Accruals & Other Payables	22	146,305,414	50,494,582
		<u>146,305,414</u>	<u>50,494,582</u>
TOTAL EQUITY AND LIABILITIES		<u>12,445,789,888</u>	<u>11,897,419,226</u>

The Board of Trustees is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the board by:


 Mr. M.M.P.K. Mayadunne
 Secretary
 Ministry of City Planning, Water Supply
 and Higher Education
 Ex-officio Trustee of Mahapola Trust Fund


 Mr. S.V.D.K. Gunasekara
 Appointed Trustee
 Mahapola Higher Education
 Scholarship Trust Fund


 Mr. M. Parackrama Bandara
 Director
 Mahapola Higher Education
 Scholarship Trust Fund

Ministry of City Planning, Water Supply & Higher Education

The accounts, schedules and notes on pages 05 through 22 form an integral part of the financial statements.

Colombo - 07.

**LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION SCHOLARSHIP
TRUST FUND
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018**

	Notes	2018 Rs.	2017 Rs.
Revenue	7	1,868,593,335	1,117,644,199
Direct Expenses	8	<u>(1,325,566,790)</u> 543,026,545	<u>(1,256,329,028)</u> (138,684,829)
Other Income	9	3,753,459	2,906,632
Total Income		<u>546,780,004</u>	<u>(135,778,197)</u>
Administrative Expenses	10	(95,219,392)	(75,078,310)
School Development Expenses	11	-	(16,683,385)
Total Expenses		(95,219,392)	(91,761,695)
Net Income Over Expenses		451,560,612	(227,539,892)
Surplus/(Deficit) Before Tax		451,560,612	(227,539,892)
Income Tax Expenses		-	-
Net Surplus/(Deficits)		<u>451,560,612</u>	<u>(227,539,892)</u>
Other Comprehensive Income		-	-
Total Comprehensive Income For The Year		<u>451,560,612</u>	<u>(227,539,892)</u>

The accounting policies and notes on pages 05 through 22 form an integral part of the financial statements.

**LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION SCHOLARSHIP
TRUST FUND
STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2018

	Accumulated Fund	Net Surplus/ (Deficits)	Total
	Rs.	Rs.	Rs.
Balance as at 01 January 2017	10,147,376,951	1,952,998,663	12,100,375,614
Net Surplus /(Deficits) for the year	-	(227,539,892)	(227,539,892)
Over Provision of Interest Receivable from NWCL	-	(28,084,620)	(28,084,620)
Balance as at 31 December 2017	<u>10,147,376,951</u>	<u>1,697,374,151</u>	<u>11,844,751,102</u>
Net Surplus /(Deficits) for the year	-	451,560,612	451,560,612
Balance as at 31 December 2018	<u>10,147,376,951</u>	<u>2,148,934,763</u>	<u>12,296,311,714</u>

The accounting policies and notes on pages 05 through 22 form an integral part of the financial statements.

**LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION SCHOLARSHIP
TRUST FUND
STATEMENT OF CASH FLOW**

Year ended 31 December 2018

	2018	2017
	Rs.	Rs.
Cash Flow From Operating Activities		
Net Surplus/ (Deficits)	451,560,612	(227,539,892)
Adjustment For;		
Depreciation	56,039,045	54,751,056
Profit on Disposal of Fixed Assets	(3,457,750)	(8,000)
Gratuity Expense	999,218	805,422
Operating Surplus/(Deficits) Before working capital changes	505,141,125	(171,991,414)
Working Capital Changes		
Increase/Decrease in Receivables	(97,986,980)	88,739,370
Increase/Decrease in Payables	95,810,832	39,738,861
Cash from Operations	(2,176,148)	128,478,231
Net Cash Inflows/Outflows from Operating Activities	502,964,977	(43,513,183)
Cash Flows From Investing Activities		
Acquisition of Property Plant & Equipments	(2,002,645)	(11,103,041)
Sales Proceeds from Disposal of Fixed Assets	3,457,750	8,000
Investment / (Withdrawal) in Financial Assets	(370,961,860)	(46,657,726)
Net Cash Inflows/Outflows from Investing Activities	(369,506,755)	(57,752,767)
Cash Flows From Financing Activities		
Dividend Paid	-	-
Net Cash Inflows/Outflow from Finance Activities	-	-
Net Increase/(Decrease) in Cash & Cash Equivalents	133,458,222	(101,265,950)
Cash & Cash Equivalent as at 01.01.2018	7,150,101	108,416,051
Cash & Cash Equivalents as at 31.12.2018	140,608,323	7,150,101

The accounting policies and notes on pages 05 through 22 form an integral part of the financial statements.

CORPORATE INFORMATION

1.1 General

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund (Trust Fund) is a Trust Fund established in 1981 under the Act of Parliament No. 66 of 1981 and the management and control of the Trust Fund is vested to the Board of Trustees. It is located at 4th Floor, J R Jayewardene Centre, 191, Dharmapala Mawatha, Colombo 07.

1.2 Principal Activities and Nature of Operations

The fund awards Scholarships for the unprivileged youth to obtain higher education and to create equal opportunities for higher education through the improvement of facilities.

1.2.1 Mahapola Trust Fund

The aims and objects of the Fund shall be -

- (a) to provide higher education facilities to youths;
- (b) Provide assistance to deserving youths who have completed their secondary education satisfactory, so as to enabling them to complete their academic, industrial or technical education at a university or technical or higher education institute, as the case may be;
- (c) to set up and assist in the setting up and management of Vocational Training Institutes for enabling youth to develop their vocational skills and competence;
- (d) to set up and assist in the management and conduct of schools, institutes, foundations and similar institutions engaged in the furtherance of education; and
- (e) to provide assistance for the development and improvement of the skills and competence of lecturers, teachers, and such persons engaged in the furtherance of education.

1.3 Date of Authorization for Issue

The Financial Statements of Lalith Athulathmudali Mahapola Scholarship Trust Fund for the year ended 31 December 2018, were authorized for issue, in accordance with a resolution of the Board of Trustees on 24/07/2019.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes as at 31 December 2018 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by the Institute of Chartered Accountants of Sri Lanka.

2.2 Basis of Measurement

The financial statements have been prepared on an accrual basis and under the historical cost convention unless otherwise stated.

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

2.3 Materiality and Aggregation

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation as specifically disclosed in the accounting policies.

2.4 Comparative Information

The accounting policies have been consistently applied by the Trust Fund with those of the previous financial year in accordance with LKAS 01 Presentation of Financial Statements, except those which had to be changed as a result of application of the new SLFRS. Further, comparative information is reclassified wherever necessary to comply with the current presentation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Trust Fund in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise is indicated.

3.1 Property Plant and Equipment

3.1.1 Basis of Recognition

Property, Plant and Equipment are tangible items that are held for servicing or for administrative purposes, and are expected to be used during more than one year.

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the company and cost of the assets can be measured reliably.

3.1.2 Basis of Measurement

An item of Property, Plant and Equipment that qualifies for recognition as assets is initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the assets and cost incurred subsequently to add to, or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the items and restoring at the site on which they located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property Plant and Equipment.

The company applies the cost to model to property Plant and Equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

3.1.3 Subsequent costs

The cost of replacing a part of an item Property, Plant and Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The cost of day today servicing of property, plant and equipment is charged to the statement of profit or loss as incurred.

3.1.4 Repairs and Maintenance

Repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred. The cost of major renovation is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently replace an identifiable part of the assets. Major renovations are depreciated during the remaining the remaining useful life of the related assets.

3.1.5 De-recognition

Property, Plant and Equipment are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is recognised in "Other operating income" in the statement of profit or loss in the year the assets is de-recognized.

3.1.6 Depreciation

Depreciation is recognized in the statement of profit or loss on a straight-line over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflect the expected pattern of consumption of the future economic benefits embodies in the assets.

The estimated useful lives are as follows;

Buildings and Fixtures	20 years
Furniture and Fittings	05 years
Office Equipment	05 years
Computer and Accessories	04 years
Motor Vehicle	04 years

The depreciation rates determined separately for each significant part of an item of Property, Plant and Equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted, if appropriate.

3.2 Investment Property

3.2.1 Basis of Recognition and Measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost. Subsequent to initial recognition, the investment properties are stated at cost.

3.2.2 De-recognition

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

3.2.3 Subsequent transfer to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change use, Evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the company as an owner occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under the property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss. When the company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

3.2.4 Impairment of Non-Financial Assets

The Trust Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

3.3. Investment in Subsidiaries and Other Investment

Investment in Subsidiaries and other investment are initially recognized at cost in the financial statements of the company. Any transaction cost relating to acquisition of subsidiaries are immediately recognised in the income statement, following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses.

3.4 Foreign Currencies

a) Functional and Presentation Currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at the yearend exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. Monetary assets & liabilities balances are translated at year end exchange rate.

3.5 Taxation

3.5.1 Current taxation

Current Income Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date.

The basis of the provision for income tax for the Trust Fund is as follows;

a) Mahapola Trust Fund

Trust Fund is exempt from Income Tax as per the Act No 66 of 1981 of Mahapola Higher Education Scholarship Trust Fund.

3.5.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised.

3.6 Cash & Cash Equivalents

Cash and cash equivalents comprise cash in hand and bank, other short-term highly liquid investments with original maturities of three months or less from the date of acquisition. Bank overdrafts are shown under current liabilities on the balance sheet.

4 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

4.1 Financial Assets

4.1.1 Classification and Measurement of Financial Assets

From 1st January 2018 as per SLFRS 9, the Trust Fund classifies all of its financial assets based on the business model for managing the assets and the assets contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

4.1.2 Financial assets measured at Amortised Cost

As per SLFRS 9, financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4.1.3 Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

4.1.4 Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and ECL and reversals are recognised in profit or loss. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. These instruments comprise Government Securities that had previously been classified as available for sale under LKAS 39.

4.1.5 Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 “Financial Instruments: Presentation” and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of de-recognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

These instruments comprise unquoted shares that had been previously classified as Available for sale under LKAS 39.

4.1.6 Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

As per LKAS 39, financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

4.2 Financial Liabilities

4.2.1 Classification and subsequent measurement of financial liabilities

As per SLFRS 9, the financial liabilities are classified as follows.

- Financial liabilities at fair value through profit or loss, and within this category as
 - Held for trading or
 - Designated at fair value through profit or loss
- Financial liabilities measured at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

4.2.2 Financial Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities that are not designated at FVTPL are classified as financial liabilities at amortised cost.

4.3 De recognition of Financial Assets and Financial Liabilities

4.3.1 Financial Assets

The Company derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

However, cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on de-recognition of such securities as per SLFRS 9.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Company retains all or substantially all risks and rewards of ownership of such assets.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Company has retained.

4.3.2 Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

4.3.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

5. LIABILITIES AND PROVISIONS

5.1 Liabilities

5.1.1 Retirement Benefit Obligations

5.1.2 Defined benefit plan – Retirement Gratuity

Provision has been made for retiring gratuities which is a defined benefit plan from the first year of service for all employees in conformity with Sri Lanka Accounting Standard for SMEs. However under the Payment of Gratuity Act No 12 of 1983, liability to an employee arises only on completion of five years of service. The liability is calculated on the basis of half a month's salary for each year of service. The item is stated under Employee Benefit Liability in the Statement of Financial Position.

The gratuity liability is not externally funded.

5.1.3 Defined Contribution Plans- Employee Provident Fund & Employee Trust Fund

The Trust Fund contributes to Employees' Provident Fund contribution and Employees' Trust Fund contribution is covered by relevant contribution funds in line with respective regulation. Obligations for contributions to the plans covering the employees are recognized as an expense in the income statement.

Employees' Provident Fund

The Trust Fund and Employees contribute to provident fund at 15% and 10% respectively on gross salary.

Employees' Trust Fund

The Trust Fund contributes 3% on gross salary to the Employees' Trust Fund.

5.2 Provisions

Provisions are recognised when the Trust Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

6. INCOME AND EXPENSES

6.1 Revenue Recognition

From 1st January 2018 as per SLFRS 15 replaces revenue recognition guidance, including LKAS 18 on Revenue LKAS 11 on Construction Contracts and IFRIC 13 on Customer Loyalty Programmes.

SLFRS 15 provides a comprehensive framework for determining whether, how much, and when revenue is recognised. Entities are required to apply five step model to determine when to recognise revenue and at what amount. The model specifies that revenue is recognised when or as an entity transfer control of goods and services to a customer at the amount at which the entity expects to be entitled and when it is probable that the economic benefits will flow to the Trust Fund and the revenue and associated costs incurred or to be incurred can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

6.1.1 Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

6.1.2 Other Income

Other income is recognised on an accrual basis.

6.2 Expenses

All expenditures incurred in the running of the business have been charged to income in arriving at the profit for the year. Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

**LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION
SCHOLARSHIP TRUST FUND**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 REVENUE	2018	2017
	Rs.	Rs.
Net Interest Income (NWCL and MTF) -Note 7.1	943,992,948	1,097,644,199
Share of Profit from Development Lotteries Board	904,600,387	-
Lease Rental from SLIIT	20,000,000	20,000,000
	<u>1,868,593,335</u>	<u>1,117,644,199</u>
	2018	2017
	Rs.	Rs.
7.1 Net Interest on Portfolio Managed by NWCL and Other Interest		
NWCL Portfolio- Investment Income	758,219,849	913,920,262
MTF -Investment Income	185,773,099	183,723,937
	<u>943,992,948</u>	<u>1,097,644,199</u>
	2018	2017
	Rs.	Rs.
8 DIRECT EXPENSES		
Scholarship Award Expenses	Rs.	Rs.
Scholarship Payments -Universities	1,269,525,962	1,161,627,224
Scholarship Payments -Technological Colleges	47,040,200	76,028,800
Scholarship Payments -Other Higher Education	6,693,400	17,918,804
New Scholarship Award Expenses	2,307,228	754,200
	<u>1,325,566,790</u>	<u>1,256,329,028</u>
	2018	2017
	Rs.	Rs.
9 OTHER INCOME		
Staff loan Interest	45,384	44,610
Trade Fair Income	-	2,498,399
Donations	15,000	250,000
Recovered Money	229,500	85,100
Sundry Income	5,825	20,523
Profit on Disposal of Fixed Assets	3,457,750	8,000
	<u>3,753,459</u>	<u>2,906,632</u>

**LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION SCHOLARSHIP
TRUST FUND**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

10 Administrative Expenses	2018	2017
	Rs.	Rs.
Salaries	9,233,460	6,150,141
Attendance Allowance	457,125	301,000
Overtime & Holiday Payments	466,319	250,685
E.P.F	1,911,540	643,187
E.T.F	393,295	132,901
Leave Encashment	243,771	451,556
Depreciation	56,039,045	54,751,056
Postage & communication	612,556	345,498
Gratuity	999,218	805,422
Welfare Expenses	191,467	58,440
Telephone	41,694	18,520
Training Fees	-	8,500
Audit & Management Committee Fees	42,000	42,000
Board of Trustees Members Fees	218,741	73,500
Fuel, Travelling & Subsistance	260,073	329,810
Water	-	26,497
Electricity	518,056	253,573
Cleaning Expenses	70,566	114,750
Security Charges	269,000	231,500
Printing & Stationeries	578,928	434,895
Maintaince Expenses	148,151	82,379
Building Rent	3,863,862	5,261,278
System Maintenance & IT Expenses	27,566	-
Donations	74,550	-
Insurance	448,072	37,656
Advertisement Expenses	181,844	-
Subscription Fees	25,750	-
Sundry Expenses	92,519	344,310
Vehicle LeaseRental	1,828,500	507,917
Vehicle Maintenance	34,830	231,575
T.Bond Premium & Discount	13,846,907	
WHT -Fixed Deposit	-	3,097,967
Professional Fees	2,064,503	63,050
Bank Charges	35,485	28,747
	95,219,392	75,078,310

**LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION SCHOLARSHIP
TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018**

	2018	2017
	Rs.	Rs.
11 School Development Expenses		
Royal College Polonnaruwa	-	6,708,524
St.Annes College (Pavilion)	-	6,573,000
Lalith Athu.Memo Expenses	-	580,288
Renovation expenses	-	2,821,573
	<hr/>	<hr/>
	<hr/> - <hr/>	<hr/> 16,683,385 <hr/>

**LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION
SCHOLARSHIP TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018**

12 PROPERTY, PLANT & EQUIPMENT

12.1 Gross Carrying Amounts	Balance	Additions	Disposals	Balance
	As at 01.01.2018			As at 31.12.2018
	Rs.	Rs.	Rs.	Rs.
At Cost				
Buildings	1,064,520,695	-	-	1,064,520,695
Furniture and Fittings	7,883,699	51,654	-	7,935,353
Office Equipment	1,479,585	-	-	1,479,585
Computer & Accessories	4,918,839	1,950,991	-	6,869,830
Motor Vehicles	5,100,000	-	5,100,000	-
Total Value of Depreciable Assets	1,083,902,818	2,002,645	5,100,000	1,080,805,463
12.2 Depreciation	Balance	Charge for	Disposals	Balance
	As at	the year		As at
	01.01.2018			31.12.2018
	Rs.	Rs.	Rs.	Rs.
At Cost and Additions				
Buildings	106,452,070	53,226,035	-	159,678,105
Furniture and Fittings	1,664,274	1,425,428	-	3,089,702
Office Equipment	280,267	277,342	-	557,609
Computer & Accessories	2,480,869	1,110,240	-	3,591,109
Motor Vehicles	5,100,000	-	5,100,000	-
Total Depreciation	115,977,480	56,039,045	5,100,000	166,916,525
12.3 Net Book Values			2018	2017
			Rs.	Rs.
At Cost				
Buildings			904,842,590	958,068,625
Furniture and Fittings			4,845,651	6,219,425
Office Equipment			921,976	1,199,318
Computer & Accessories			3,278,721	2,437,970
			-	-
Total Carrying Amount of Property, Plant & Equipment			913,888,938	967,925,338

LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

13 INVESTMENT PROPERTY	2018	2017
	Rs.	Rs.
Free Hold Land (at Malabe -Leased out to SLIIT)	12,460,179	12,460,179
	<u>12,460,179</u>	<u>12,460,179</u>

Note: This land which is at Malabe is leased out to Sri Lanka Institute of Information Technology from its inception

14 INVESTMENT IN SUBSIDIARIES	2018	2017
	Rs.	Rs.
National Wealth Corporation *	985,000,000	985,000,000
	<u>985,000,000</u>	<u>985,000,000</u>

* National Wealth Corporation Ltd (NWCL) set up as a fully owned subsidiary of Mahapola Trust Fund

15 OTHER INVESTMENT	2018	2017
	Rs.	Rs.
Development Lotteries Board	2,200,000	2,200,000
	<u>2,200,000</u>	<u>2,200,000</u>

16 FINANCIAL ASSETS	2018	2017
	Rs.	Rs.
Treasury Bonds -NWCL	6,066,033,082	3,959,606,109
Treasury Bonds -MTF	1,175,944,253	1,189,791,160
Treasury Bills -NWCL	198,387,726	565,062,113
Debentures	1,284,047,982	1,111,305,960
Assets Back Trust Certificates	448,227,563	221,626,055
Commercial Papers	-	621,358,828
Fixed Deposits -NWCL	216,490,959	1,128,829,462
Fixed Deposits -MTF	552,173,542	312,000,000
Reverse Repo	290,111,232	737,290,168
Sweeper Account	984,911	14,569,535
	<u>10,232,401,250</u>	<u>9,861,439,390</u>

**LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION SCHOLARSHIP
TRUST FUND**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

17 Advances and Prepayments	2018 Rs.	2017 Rs.
Staff Loan & Advances	1,180,729	1,359,629
University Grant Commission	399,000	399,000
Vehicle Insurance	-	34,830
Scholarship Payment Receivable	-	4,400
	<u>1,579,729</u>	<u>1,797,859</u>
18 Other Assets	2018 Rs.	2017 Rs.
Stationery Stock	291,919	-
Rent deposit Jayawardna Centre	1,647,000	1,647,000
CWE Rent Deposit	348,810	348,810
	<u>2,287,729</u>	<u>1,995,810</u>
19 Receivables	2018 Rs.	2017 Rs.
DLB Profit Share Receivables	100,700,127	-
Fixed Deposit Interest	10,809,227	13,622,886
Treasury Bond Interest	43,827,663	43,827,663
Overnight Income	26,723	-
	<u>155,363,740</u>	<u>57,450,549</u>
20 CASH & CASH EQUIVALENTS	2018 Rs.	2017 Rs.
BOC- Current Account -1791	1,976,911	(13,280,364)
BOC - Current Account -83302834	2,616,323	-
BOC- Sweeper Account - 4079	(984,911)	(14,569,535)
BOC - Overnight Investment -1791	137,000,000	35,000,000
	<u>140,608,323</u>	<u>7,150,101</u>

**LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION SCHOLARSHIP
TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018**

21 RETIREMENT BENEFIT OBLIGATION	2018 Rs.	2017 Rs.
Balance as at the beginning of the year	2,173,542	1,368,120
Provision for the year	999,218	805,422
	<u>3,172,760</u>	<u>2,173,542</u>
22 ACCRUALS AND OTHER PAYABLES	2018 Rs.	2017 Rs.
Softlogic Information Technologies (Pvt) Ltd	556,200	-
Vertual Hosting	25,347	-
Telephone Bill	20,761	-
Provision for Scholarship Payments - Universities	109,966,050	14,943,250
Provision for Scholarship Payments - Technical colleges	27,785,500	22,108,000
Provision for Scholarship Payments - Higher Education Institutes	3,535,940	8,338,456
Provision for Overtime	22,632	33,962
Provision for Attendance Allowance	174,125	26,500
School Development Activites	1,074,097	1,074,097
Provision for Salaries & Wages	74,250	606,980
Retention A/C	1,547,409	1,547,409
Retention A/C St.Anne's College	382,417	382,417
Retention A/C Sir.John Kothalawala College	243,503	243,503
Embilipitiya Swimming Pool Expenses	585,449	585,449
Security Charges	39,132	-
Annual Leave Expenses	235,207	-
Electricity	37,395	-
Three-Lanak Retained	-	152,375
Staff Expenses	-	299,958
EPF Payable	-	97,026
Vehicle Rental Charges	-	55,200
	<u>146,305,414</u>	<u>50,494,582</u>